

RIISING TO THE CHALLENGE



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

Half Yearly Report December 2018

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Modaraba Information

Board of Directors

Mr. Khwaja Asif Rahman
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Syed Feisal Ali
Non - Executive Director

Mr. Raees A. Khan
Non - Executive Director

Mr. Ali Akbar
Non - Executive Director

Mr. Hassan Shehzad Abidi
Non - Executive Director

Mr. Abdul Rahim Suriya (Independent)
Non - Executive Director

Audit Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Ali Akbar
Member

Chief Financial Officer

Mr. Muhammad Saad

Company Secretary

Mr. Muzzammil Tariq

Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

Human Resource and Remuneration Committee

Mr. Abdul Rahim Suriya (Independent)
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Mr. Khwaja Asif Rahman
Member

Strategic Management

Syed Zulqarnain Jafri
Business Unit Head - Power

Mr. Ali Ahsan
Business Unit Head - Logistics & MHE

Mr. Rashid Jehangiri
Business Unit Head - Machines and Cranes

Mr. Ali Ammar
Business Administrator

Mr. Muhammad Azeem Siddiqui
Head of Human Resource and Administration

Mr. Muhammad Farooq
Head of Information Technology

Islamic Banks, Islamic Window of Commercial Banks & Lending Institutions

Habib Bank Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Bank Limited

United Bank Limited

Orix Modaraba

First Habib Modaraba

Meezan Bank Limited

Burj Bank Limited

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants

Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head office

21/3 Sector 22, Korangi Industrial Area,
Karachi - 74900 UAN; (021) 111-250-250

Website: www.arm.com.pk

Registrar & Certificate Transfer Office

JWAFFS Registrar Services (Private) Limited
407-408, Al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.
Tel: 021-35662023-24
Fax: 021-35221192

Directors' Report

For the period ended December 31, 2018

The Board of Directors of Allied Engineering Management Company (Pvt.) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with Unaudited Financial Statements of the Modaraba for the half year ended December 31, 2018.

Financial Highlights

Investment in Ijarah assets
Total Revenue
Net profit for the period
Net profit margin
Return on equity
Current Ratio
Earning per certificate
Break-up value per certificate

Rs. in '000

6,611,463
1,927,224
277,346
14.39%
5.31%
1.03:1
Rs. 1.26
Rs. 23.76

Review of Operations

We are pleased to report that Modaraba registered Sales Growth of 8% from Rs. 1,783 Million to Rs. 1,927 Million as compared to corresponding period last year. Accordingly, the net profits for the period also increased by 14% to Rs. 277 Million as compared to Rs. 244 Million for the corresponding period last year.

Modaraba continued to maintain its track record of growth in Sales. Rental Power segment continues to maintain our lead segment in terms of Sales and profitability. All segments of Rental Power performed according to the benchmark and targets set for the period. We expect better utilization of our Gas Engines due to Gas pricing incentive announced for the Textiles sector.

Sales from our Machines and Cranes segment remained in line and contributed Rs. 268 Million during the quarter from Rs. 263 Million for the corresponding period last year, thus it remained at par with our targets for the period. Infrastructure construction and CPEC projects have taken a go slow approach, due to non-payment of bills and uncertainty on the future of these projects, as the new Government sets its growth agenda vis-à-vis the macroeconomic indicators of the country. We are careful on this segment for investments, until the direction is set by the new government for CPEC and other infrastructure projects. Furthermore, the diversification strategy adopted by the Management to Non Power sectors of the Rental business, as we see our investment in other segments of the Rental market including Logistics bearing results.

Inbound and out bound Logistics sales increased by 35% to Rs. 823 Million against corresponding period sales of Rs. 611 Million; mainly on account of shift of business to better price realization contracts. We see further strong growth prospects, both in term of development of this segment in the country vis-à-vis its potential with specific reference to CPEC.

Operating costs have increased by Rs. 135 Million which works out to 10% increase, mainly due to Fleet vehicle running costs which have increased from Rs. 182 Million in the corresponding period to Rs. 322 Million, such increase is attributable to higher revenues and new investment in our Logistics and MHE segment. Salaries and Wages have increased by Rs. 68 Million to Rs. 462 Million as compared to Rs. 394 Million in corresponding period last year, the main reason behind this increase is the increase in rental assets portfolio of the Modaraba rising to almost 1500 equipments in the fleet. Repair and Maintenance expense have also increased by Rs. 46 Million which translates to an increase of 27%, mainly due to increase in our assets portfolio and devaluation of Pak Rupees causing rise in imported parts and lube prices. Depreciation for the period have decreased by 16% to Rs 377 Million as compared to Rs. 488 Million of corresponding period last year. Ijarah rentals declined to NIL as all our contracts matured during the period and assets transferred to the Modaraba at its residual values.

Administrative and distribution expenses increased by Rs. 28 Million to Rs. 120 Million (2017: Rs. 92 Million) which is in line with inflation and putting resources in place to handle diversified business portfolio and increased business volume.

Provision against potential Ijarah losses and operation and maintenance income increased significantly and stood at Rs. 46 Million being in compliance with the Prudential Regulations for the Modaraba's, whereas finance costs went up by Rs. 18 Million, mainly on account of increase in mark up rates.

The Management will remain cautious and prudent for its investment strategy on all segments of the business, as we expect the economy to slow down to control the negative balance of payment issue and until the economic direction is set by the new government. We always strive to keep special emphasis on customer satisfaction, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

Future Prospects

Modaraba, with its current strength in the market, is ideally placed in the era of high economic growth to reap the benefits of diversification by investing in Construction Equipment, Machines and Logistics segment. We are aware of the Machine rental demand levels generated by both local and Chinese contractors, construction companies including government entities, who are approaching Modaraba for both their short and long term rental requirements. The Management is aware of the challenges of this growth and is geared to meet the requirements of the business, requiring both investment and Capital formation, but side by side develop its HR resources for successful operation and maintenance of these units as O&M is an essential part of our Ijarah Rental contract.

This EARLY MOVER ADVANTAGE window is available due to higher than usual investment on Infrastructure Projects under CPEC; truly a game changer for the economy of the country. The Management is continuously expanding its rental fleet and have placed orders for both new and used Excavators, Compactors, Motor Graders and other construction equipment from Caterpillar and new Cranes from Sany. Modaraba changed the Rental model of the Crane industry by inducting NEW SANY Cranes, meeting better safety and compliance standards than the old and used cranes considered the norm of the market.

Modaraba is also continuously tapping new rental agreements for the transportation business with leading FMCG and Oil Field Services companies to deploy its Rental assets to more profitable sectors of the business.

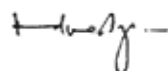
Modaraba has to continuously develop its Human Resource to cater for the new requirements of the business. Though Pakistan has large population, but we are extremely short in technical semi-skilled and skilled workforce and as their demand picks up in the market, we see continuous and strenuous efforts on the part of the Modaraba to retain them. We expect the wage element to go up due to inflationary pressures and increased demand levels. This is one of the major challenges presently faced by the Modaraba to judiciously increase the wage rate and retain the workforce.

The Management is upbeat on the CPEC development and tremendous opportunities it has to date generated for the Modaraba, but will also remain cautious, prudent and selective for its investment on the Rental Power segment. We always strive to keep special emphasis on customer satisfaction, also ensuring in the process that we always follow the Islamic Shariah principles in all our business transactions.

Acknowledgement

The Board wishes to place on record its sincere gratitude to the Registrar Modaraba, Religious Board, financial institutions and its financing partners for their continued support and guidance; and its customers for their continued patronage and business.

On Behalf of the Board



Murtaza Ahmed Ali
Chief Executive

February 28, 2019

جو قلیل المدت اور طویل المدت ضروریات کیلئے مضاربہ سے رابطہ کر رہے ہیں۔ انتظامیہ اس بڑے اضافے کے چیلنج سے بخوبی واقف ہے اور سرمایہ کاری اور سرمائے کی فراہمی، دونوں اقسام کے کاروباری ضروریات کو پورا کرنے کے لیے تیار ہے لیکن اس کے ساتھ ساتھ ہم ان یونٹس کو بھی کامیابی سے چلانے اور اس کی دیکھ بھال کے لیے انسانی وسائل مہیا کرنے میں بھی مصروف ہیں کیونکہ O&M ہمارے اجارہ رینٹل کے معاہدہ کا ایک لازمی حصہ ہے۔

ہمیں EEARLY MOVER ADVANTAGE اس لئے حاصل ہے کہ ہم سی پیک کے تحت انفراسٹرکچر کے منصوبوں پر معمول سے زیادہ سرمایہ کاری کر رہے ہیں جو ہمارے ملک کے لئے حقیقی طور پر ایک گیم چینجر ہے۔ انتظامیہ اپنے رینٹل فلیٹ (Fleet) میں مسلسل اضافہ کر رہی ہے اور اس کیلئے نئے اور استعمال شدہ ایکسکیوٹرز، کمپیکٹر، موٹر گریڈرز اور دیگر تعمیراتی مشینری میں کیٹرپلر سے لے کر اور Sany سے نئی کرینوں کی خریداری کے آرڈر دینے جا چکے ہیں۔ مضاربہ نے نئی SANY کرینوں کی شمولیت سے کرین کی صنعت کے رینٹل ماڈل کو تبدیل کر دیا ہے۔ جو کہ مارکیٹ میں عام طور پر استعمال کی جانے والی موجود پرانی اور استعمال شدہ کرینوں کے مقابلے میں بہتر حفاظت اور اچھے معیار کی حامل ہیں۔

مضاربہ ٹرانسپورٹیشن کے کاروبار میں مشہور و معروف FMCG اور آئل فیلڈ سروسز کمپنیوں کے ساتھ نئے رینٹل معاہدوں کیلئے کوشاں ہے جن سے کاروبار کے زیادہ منافع بخش شعبوں میں رینٹل اثاثہ جات کی تنصیب کی جاسکے۔

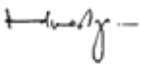
مضاربہ کو کاروبار کی نئی ضروریات کے مطابق اپنے انسانی وسائل کو بھی بڑھانا ہے۔ اگرچہ پاکستان بڑی آبادی والا ملک ہے لیکن ٹیکنیکی طور پر ہنرمند اور نیم ہنرمند افرادی کی کمی کا سامنا ہے جب کہ مارکیٹ میں ان کی طلب بڑھ رہی ہے۔ ہم مضاربہ کے ساتھ ان کی وابستگی قائم رکھنے کیلئے پوری طرح کوشاں رہتے ہیں۔ ہمیں توقع ہے کہ ان کی طلب میں اضافہ کے ساتھ جیسے جیسے مارکیٹ میں اجرتوں کی شرح بڑھے گی تو ان کی اجرتوں میں بھی اضافہ ہوگا۔ لہذا اجرتوں کی شرح میں منصفانہ اضافہ کے ساتھ افرادی قوت کو اپنے ساتھ وابستہ رکھنا مضاربہ کیلئے ایک اور بڑا چیلنج ہے۔

انتظامیہ سی پیک کے ترقیاتی عمل اور اس سے مضاربہ کیلئے پیدا ہونے والے شاندار مواقع حاصل کرنے کیلئے پرجوش طریقے سے سرگرم ہے لیکن رینٹل پاور کے شعبہ میں سرمایہ کاری کیلئے محاط، دانشمندانہ اور مخصوص طریقہ کار اختیار کرنے پر کاربند ہے۔ ہم ہمیشہ صارف کے اطمینان پر خاص توجہ دیتے ہیں اور اپنے کاروباری لین دین میں اسلامی شریعہ اصولوں پر عمل پیرا رہتے ہیں۔

اعتراف

بورڈ، رجسٹرار مضاربہ، مذہبی بورڈ، مالیاتی اداروں اور اپنے مالیاتی پارٹنرز کے مستقل تعاون اور رہنمائی کیلئے ان کا بے حد شکر گزار ہے اور صارفین کی سرپرستی اور کاروباری امور میں شرکت کیلئے ان کا شکریہ ادا کرتا ہے۔

منجانب بورڈ



مرتضیٰ احمد علی
(چیف ایگزیکٹو)

28 فروری 2019

ترقی کے ساتھ ساتھ خصوصی طور پر سی پیک سے متعلق کاروباری گنجائش میں اضافہ کے لحاظ سے مزید بھرپور ترقی کے امکانات نظر آ رہے ہیں۔

کاروباری عمل کو جاری رکھنے کی لاگت 10% اضافہ کے ساتھ 135 ملین روپے سے بڑھ گئی۔ جس کی وجہ گاڑیوں کو چلانے کی لاگت میں اضافہ ہے جو گزشتہ سال کی اسی مدت کے 182 ملین روپے کے مقابلے میں بڑھ کر 322 ملین روپے ہو گیا۔ تاہم یہ اضافہ ہمارے لئے زیادہ آمدنی اور ہمارے لاجسٹکس اور MHE کے شعبہ جات میں زیادہ سرمایہ کاری کا باعث ہوا۔ تنخواہوں اور اجرتوں کے اخراجات 68 ملین روپے کے اضافہ کے ساتھ 462 ملین روپے ہو گئے ہیں جو کہ گزشتہ سال اسی مدت میں 394 ملین روپے تھے۔ اس اضافہ کی بڑی وجہ مضاربہ کے ریٹیل اثاثہ جات کے پورٹ فولیو میں ہونے والا اضافہ تھا، جن کی تعداد 1500 تک ہو چکی ہے۔ مرمت اور دیکھ بھال کے اخراجات 27% اضافے کے ساتھ 46 ملین سے بڑھے۔ جسکی بڑی وجہ پاکستانی روپے کی قدر میں کمی ہے۔ جسکی وجہ سے پرزہ جات اور لیوب آئل کی قیمت میں اضافہ ہوا۔

مذکورہ مدت میں فرسودگی کی سطح 16% کمی کے ساتھ 377 ملین روپے ہو گئی جب کہ گزشتہ سال کی اسی مدت میں 488 ملین روپے تھی۔ اجارہ ریٹیلز کے تمام طویل المدت معاہدوں کی تکمیل کی وجہ سے اس مدت میں کوئی خرچہ ریکارڈ نہیں ہوا۔ اور تمام اثاثہ جات اپنی بقایا قیمت پر منتقل کر دیئے گئے۔

انتظامی امور اور تقسیم کاری کے اخراجات 28 ملین روپے کے اضافہ کے ساتھ 120 ملین روپے ہو گئے (2017: 92 ملین روپے) اس کی وجہ افراط زر کے علاوہ مختلف النوع کے کاروباری انتظامات کے لئے وسائل کے حصول اور کاروباری حجم میں اضافہ تھی۔ اجارہ ریٹیل اور آپریشن اینڈ مینجمنٹس کی وصولی کے نقصانات کے امکانات کو کم کرنے کے لئے 46 ملین روپے کا پرووژن کیا گیا جو کہ مضاربہ کے پروڈنشل ضوابط کے مطابق ہے۔ جب کہ مجموعی قرضہ جات میں اضافہ سے فنانسنگ کی لاگت بڑھ کر 18 ملین روپے ہو گئی۔ مینجمنٹ، گورنمنٹ کی پالیسیوں کو دیکھتے ہوئے تمام شعبوں میں ایک محتاط انداز میں اپنی انویسٹمنٹ کی پالیسی اختیار کئے ہوئے ہے۔ اور نئی حکومت کی معاشی پالیسیوں کی وجہ سے ادائیگیوں کے توازن اور میں بہتری کی امید کرتی ہے۔ مضاربہ کی مسلسل کوشش ہوتی ہے کہ وہ اپنی گاہکوں کو اطمینان بخش سروس مہیا کرے اور ساتھ ساتھ اس بات کو یقینی بنائیں کہ انکی تمام کاروباری سرگرمیاں شریعیہ کے اصولوں کے عین مطابق ہوں۔

مستقبل کے امکانات

مارکیٹ میں اپنی مضبوط حیثیت کی بناء پر مضاربہ معاشی ترقی کے دھارے میں شامل ہے اور تعمیراتی سامان، مشینوں اور لاجسٹکس کے شعبہ میں سرمایہ کاری کے ذریعہ مختلف انواع منافع کے حصول کے لئے سرگرم عمل ہے۔ ہم مقامی اور چینی کنٹرکٹرز، تعمیراتی کمپنیوں اور حکومتی اداروں کی جانب سے مشینوں کی طلب میں اضافہ سے بخوبی آگاہ ہیں

ڈائریکٹرز کی رپورٹ

برائے مدت ختمہ 31 دسمبر 2018

الائیڈ انجنیرنگ مینجمنٹ کمپنی (پرائیویٹ) لمیٹڈ جو الائیڈ ریٹیل مضاربہ کی مینجمنٹ کمپنی ہے، کے بورڈ آف ڈائریکٹرز اپنے سٹوکیٹ ہولڈرز کو بمسرت ڈائریکٹرز کی رپورٹ مع مضاربہ کے غیر آڈٹ شدہ حسابات برائے مدت ششماہی ختمہ 31 دسمبر 2018 پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

000 روپے میں

6,611,463

1,927,224

277,346

14.39%

5.31%

1.03 : 1

Rs. 1.26

Rs. 23.76

مالیاتی جھلکیاں

اجارہ اثاثہ جات میں سرمایہ کاری

کل آمدنی

منافع برائے مذکورہ مدت

خالص منافع کا مارجن

ایکویٹی پر منافع

موجودہ شرح

فی سٹوکیٹ آمدنی

فی سٹوکیٹ بریک اپ ویلیو

کاروباری عمل کا جائزہ

ہم بمسرت اطلاع دیتے ہیں کہ مذکورہ مدت میں مضاربہ کی سیلز 8% اضافہ کے ساتھ گزشتہ سال کی اسی مدت کی رقم 1,783 ملین روپے سے بڑھ کر 1,927 ملین روپے ہو گئی۔ اس لحاظ سے مذکورہ مدت میں خالص منافع بھی 14% اضافہ کے ساتھ 277 ملین روپے ہوا جب کہ اس کے مقابلے میں گزشتہ سال اسی مدت کا منافع 244 ملین روپے تھا۔

مضاربہ نے اپنی مستقل سرمایہ کاری کی حکمت عملی جاری رکھی۔ مجموعی طور پر پاور ریٹیل کے کاروبار میں اپنی آمدنی کے اہداف حاصل کر لئے اور ہمارے گیس انجنوں کے استعمال میں بہتری آئی ہے اسکی بڑی وجہ ٹیکسٹائل سیکٹر میں گیس کی بہتر قیمت ہے۔

ہمارے مشین اور کرین کے شعبہ کی سیلز اضافہ کے ساتھ 268 ملین روپے ہوئی جب کہ گزشتہ سال اسی مدت میں 263 ملین روپے ہوئی تھی جس کی وجہ ریٹیل فلیٹ میں نئے کنسٹرکشن آلات، مشینوں اور کرین کا شامل کیا جانا ہے۔ مستقبل میں اس شعبہ کی کارکردگی میں مزید بہتری جاری رہنے کی توقع ہے کیونکہ ہم سی پیک پروجیکٹس کیلئے مشین ریٹیل مارکیٹ کی بڑھتی ہوئی ضروریات کو پورا کرنے کیلئے مشین اور کرین میں مزید سرمایہ کاری کرتے رہیں گے۔

مزید برآں مینجمنٹ کی تنوع کی حکمت عملی کے تحت پاور سیکٹر کے علاوہ لاجسٹکس کے شعبہ میں مزید انویسٹمنٹ کی گئی ہے جس کی وجہ سے داخلی اور خارجی نقل و حمل میں 35% اضافہ کے ساتھ 823 ملین روپے کی آمدنی حاصل ہوئی جب کہ گزشتہ سال کے اسی عرصے کی آمدنی 611 ملین روپے تھی اس کی بڑی وجہ ہمارے کاروبار کی بہتر قیمت کے حصول کے معاہدوں کی طرف منتقلی تھی۔ ہمیں ملک میں اس شعبہ کی



KPMG Taseer Hadi & Co.
Chartered Accountants

Auditor's Report to the Certificate Holders on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Allied Rental Modaraba ("the Modaraba") as at 31 December 2018, and the related condensed interim statement of profit and loss account, and other comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "interim financial statement"). The Modaraba Management Company [Allied Engineering Management Company (Private) Limited] is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The figures for the quarter ended 31 December 2018 and 31 December 2017 in the interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditor's review report is Amyn Pirani.

Date: February 28, 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Amyn Pirani


Condensed Interim Statement of Financial Position

For the six months period ended 31 December 2018

	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
ASSETS			
Current Assets			
Cash and bank balances	6	160,340,906	91,230,840
Ijarah rentals receivable	7	1,392,238,323	1,334,114,468
Operation and maintenance income receivable	8	33,082,434	29,363,774
Advances, deposits, prepayments and other receivables	9	633,457,095	540,717,302
Spare parts		109,398,082	104,835,161
		<u>2,328,516,840</u>	<u>2,100,261,545</u>
Non-current assets			
Long term security deposits		50,000	50,000
Diminishing musharaka financing - secured		-	967,729
Fixed assets in own use - tangible	10	129,046,989	131,283,995
Intangible asset for own use	11	5,170,785	6,126,565
Ijarah assets	12	6,611,462,796	6,732,935,766
Capital work-in-progress - ijarah asset	13	24,002,783	64,856,641
		<u>6,769,733,353</u>	<u>6,936,220,696</u>
Total assets		<u>9,098,250,193</u>	<u>9,036,482,241</u>
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	14	777,603,117	625,286,025
Payable to the Modaraba Management Company	15	17,156,498	12,265,972
Current maturity of diminishing musharaka financing payable - secured	16	1,087,353,721	1,008,787,702
Current portion of security deposits		55,260,000	56,963,000
Unclaimed dividend		1,157,855	1,092,249
		<u>1,938,531,191</u>	<u>1,704,394,948</u>
Non-current liabilities			
Diminishing musharaka financing payable - secured	16	1,781,050,316	2,035,200,403
Deferred liability for staff gratuity		77,592,357	69,496,154
Other long-term employee benefit		18,297,635	18,729,167
Security deposits		56,138,732	58,125,000
		<u>1,933,079,040</u>	<u>2,181,550,724</u>
Total liabilities		<u>3,871,610,231</u>	<u>3,885,945,672</u>
NET ASSETS		<u>5,226,639,962</u>	<u>5,150,536,569</u>
FINANCED BY: CAPITAL AND RESERVES			
Authorized certificate capital			
225,000,000 (30 June 2018: 225,000,000) Modaraba			
certificates of Rs.10 each	17	<u>2,250,000,000</u>	<u>2,250,000,000</u>
Issued, subscribed and paid-up certificate capital			
220,000,000 (30 June 2018: 200,000,000) Modaraba			
certificates of Rs.10 each	17	<u>2,200,000,000</u>	<u>2,000,000,000</u>
Premium on issue of certificates		1,255,712,500	1,255,712,500
Statutory (mandatory) reserve		1,599,361,656	1,660,688,804
Unappropriated profit		171,565,806	234,135,265
		<u>5,226,639,962</u>	<u>5,150,536,569</u>
CONTINGENCIES AND COMMITMENTS			
	18		

For Allied Engineering Management Company (Private) Limited
(Management Company)


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director

Condensed Interim Statement of Profit and Loss Account (Unaudited)

For the six months period ended 31 December 2018

	Note	Six months period ended		Three months period ended	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017
		(Rupees)			
Ijarah rentals - net	19	1,858,100,307	1,721,610,731	916,441,102	932,676,237
Operation and maintenance income - net	20	69,123,764	60,980,239	39,608,312	29,766,769
		1,927,224,071	1,782,590,970	956,049,414	962,443,006
Operation, maintenance and Ijarah related expenses	21	(1,438,470,602)	(1,303,503,144)	(725,146,696)	(699,840,298)
Gross profit		488,753,469	479,087,826	230,902,718	262,602,708
Administrative expenses	22	(120,191,779)	(91,862,356)	(63,634,180)	(47,776,592)
Provision against potential Ijarah losses and operation and maintenance income	7 & 8	(45,902,016)	(30,561,279)	(35,902,016)	(30,561,279)
Finance cost	23	(134,431,474)	(116,381,287)	(74,162,483)	(60,266,069)
Other income	24	94,117,504	8,324,052	83,295,857	2,462,740
		(206,407,765)	(230,480,870)	(90,402,822)	(136,141,200)
		282,345,704	248,606,956	140,499,896	126,461,508
Modaraba Management Company's remuneration	15	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Profit for the period before taxation		277,345,704	243,606,956	135,499,896	121,461,508
Taxation	25	-	-	-	-
Profit for the period		277,345,704	243,606,956	135,499,896	121,461,508
		(Restated)		(Restated)	
Earnings per certificate - basic and diluted	26	1.26	1.11	0.62	0.55

The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.

For Allied Engineering Management Company (Private) Limited (Management Company)



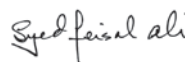
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period ended 31 December 2018

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Rupees)			
Profit for the period after taxation	277,345,704	243,606,956	135,499,896	121,461,508
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>277,345,704</u>	<u>243,606,956</u>	<u>135,499,896</u>	<u>121,461,508</u>

The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.



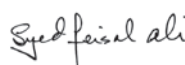
Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director
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Condensed Interim Cash Flow Statement (Unaudited)

For the six months period ended 31 December 2018

CASH FLOWS FROM OPERATING ACTIVITIES

	Six months period ended 31 December 2018	31 December 2017
	(Rupees)	
Profit for the period before taxation	277,345,704	243,606,956
<i>Adjustments for</i>		
Depreciation	391,864,704	455,416,410
Amortization	955,780	955,779
Provision against potential Ijarah losses and operation and maintenance income	45,902,016	30,561,279
Provision for deferred liabilities - gratuity	8,096,203	6,103,097
Financial charges including bank charges	131,586,776	112,853,880
(Profit) / loss on disposal of Ijarah and fixed assets	(77,752,252)	1,439,482
	500,653,227	607,329,927
	777,998,931	850,936,883
<i>(Increase) / decrease in assets</i>		
Ijarah rentals receivable	(104,025,871)	(274,081,150)
Operation and maintenance income receivable	(3,718,660)	(12,958,329)
Advances, deposits, prepayments and other receivable	(92,739,793)	(82,209,614)
Spare parts	3,195,335	(52,976,266)
Long-term security deposit	-	-
Diminishing musharaka financing	967,729	3,007,574
	(196,321,260)	(419,217,785)
<i>Increase in operating liabilities</i>		
Creditors, accrued and other liabilities	152,206,373	120,106,260
Payable to the Modaraba Management Company	4,890,526	2,416,823
Security deposits	(3,689,268)	1,450,000
	153,407,631	123,973,083
	735,085,302	555,692,181
Gratuity paid	-	(145,575)
Compensated absences paid	(431,532)	(175,207)
Financial charges paid	(131,472,295)	(132,757,512)
	(131,903,827)	(133,078,294)
Net cash flows from operating activities	603,181,476	422,613,887

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditure	(282,227,618)	(669,682,454)
Proceeds from disposal of Ijarah assets	117,750,000	900,003
Proceeds from disposal of fixed assets in own use	7,166,981	1,762,341
Net cash flows from investing activities	(157,310,637)	(667,020,110)

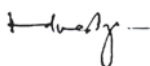
CASH FLOWS FROM FINANCING ACTIVITIES

Profit distribution to the certificate holders	(199,934,394)	(262,830,410)
Advance against subscription of right certificates	-	96,069,975
Diminishing musharaka financing availed	350,472,155	710,799,933
Expenses against issuance of bonus certificates	(1,242,311)	(486,052)
Bai Muajjal financing availed	-	199,835,414
Repayment of diminishing musharaka financing	(526,056,223)	(461,977,484)
Repayment of Bai Muajjal facility	-	(99,694,340)
Net cash flows from financing activities	(376,760,773)	181,717,036
Net increase in cash and cash equivalents	69,110,066	(62,689,187)
Cash and cash equivalents at the beginning of the period	91,230,840	307,439,392
Cash and cash equivalents at the end of the period	160,340,906	244,750,205

The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.



Muhammad Saad
Chief Financial Officer
Allied Rental Modaraba



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director

Condensed Interim Statement of Changes in Equity (Unaudited)

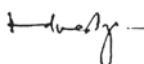
For the six months period ended 31 December 2018

Note	Issued, subscribed and paid up certificate capital	Advance against subscription of right certificates (Note 29)	Premium on issue of certificates	Statutory Reserve	Unappropriated profit	Total
(Rupees)						
Balance as on 1 July 2017	1,755,000,000	-	1,133,212,500	1,463,126,925	307,251,794	4,658,591,219
Total comprehensive income for the six months period ended 31 December 2017	-	-	-	-	243,606,956	243,606,956
Transfer to statutory reserve (at 25% of the profit for the period)	-	-	-	60,901,739	(60,901,739)	-
Transaction with owners - recorded directly in equity						
Advance against subscription of right certificates	-	96,069,975	-	-	-	96,069,975
Expenses against issuance of right certificates	-	-	-	-	(486,052)	(486,052)
Profit distribution for the year ended 30 June 2017 @ Rs. 1.50 per certificate declared subsequent to the year end	-	-	-	-	(263,250,000)	(263,250,000)
Balance as on 31 December 2017	1,755,000,000	96,069,975	1,133,212,500	1,524,028,664	226,220,959	4,734,532,098
Balance as on 1 July 2018	2,000,000,000	-	1,255,712,500	1,660,688,804	234,135,265	5,150,536,569
Total comprehensive income for the six months period ended 31 December 2018	-	-	-	-	277,345,704	277,345,704
Transfer to statutory reserve (at 50% of the profit for the period)	-	-	-	138,672,852	(138,672,852)	-
Transaction with owners - recorded directly in equity						
Profit distribution for the year ended 30 June 2018 @ Rs. 1.00 per certificate declared subsequent to the year end	-	-	-	-	(200,000,000)	(200,000,000)
10% bonus issue for the year ended 30 June 2018 (i.e. 1 certificate for every 10 certificates held) declared subsequent to the year end	17.3	200,000,000	-	(200,000,000)	-	-
Expenses against issuance of bonus certificates	-	-	-	-	(1,242,311)	(1,242,311)
Balance as at 31 December 2018	2,200,000,000	-	1,255,712,500	1,599,361,656	171,565,806	5,226,639,962

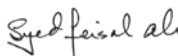
The annexed notes from 1 to 30 form an integral part of these condensed interim financial information.

For Allied Engineering Management Company (Private) Limited
(Modaraba Management Company)


Muhammad Saad
Chief Financial Officer


Murtaza Ahmed Ali
Chief Executive


Abdul Rahim Suriya
Director


Syed Feisal Ali
Director
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Notes to the Condensed Interim Financial Information (Unaudited)

For the six months period ended 31 December 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Allied Rental Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Allied Engineering Management Company (Private) Limited (the 'Modaraba Management Company'), which is a wholly owned subsidiary of Allied Engineering and Services (Private) Limited. The Modaraba Management Company is incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The Securities and Exchange Commission of Pakistan (the 'SECP'), vide its certificate No. SC/M/RW/ ARM/2006-166 dated 10 May 2006, authorized Allied Engineering Management Company (Private) Limited to float Allied Rental Modaraba (the Modaraba). The Modaraba commenced its operations on 10 January 2007.

The Modaraba is a perpetual Modaraba and is primarily engaged in rental / Ijarah and operation and maintenance of Caterpillar and other equipments (i.e. generators, forklifts, compactors, etc.). The registered office of the Modaraba is located at 21/3, Sector 22, Korangi Industrial Area, Karachi. The Modaraba is listed on the Pakistan Stock Exchange Limited.

- 1.2** The JCR-VIS Credit Rating Company Limited has assigned long term A+ rating and short term A+ rating to the Modaraba.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Modaraba for the six months period ended on 31 December 2018 has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Boards (IASB) as notified under the Companies Act, 2017;
- Provisions of and directions issued under the Companies Act, 2017;
- Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act 2017.

Where the provisions of and directives issued under the Companies Act 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulation for Modarabas and IFAS differ from IFRS Standards, the provision of and directives issued under the Companies Act, 2017 the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas and IFAS have been followed.

- 2.2** These condensed interim financial information do not include all the information required for a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended 30 June 2018.

2.3 These condensed interim financial statements comprise of the condensed interim statement of financial position as at 31 December 2018 and condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity for the six months period ended 31 December 2018.

2.4 The comparative statement of financial position presented in these condensed interim financial statements as at 30 June 2018 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2018, whereas the comparative condensed interim statement of profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity for the six months period ended 31 December 2017 have been extracted from the unaudited condensed interim financial information for the period then ended.

2.5 Functional and presentation currency

These condensed interim financial information are presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest Rupee, unless otherwise stated.

3. ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual separate financial statements of the Modaraba as at and for the year ended 30 June 2018 except for the adoption of a new standard effective as of 01 July 2018 as referred to in note 3.4 to these condensed interim financial information.

3.2 New standards, interpretations and amendments adopted by the Modaraba

The Modaraba has initially adopted IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018 details of which are mentioned in note 3.4 below. A number of other new standards are effective from 1 July 2018 but they do not have a material effect on the Modaraba's condensed interim financial information.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for the accounting periods beginning mentioned there under:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning / ending those which are on or after 01 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Modaraba's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods ending on or after 30 June 2019 and being on or after 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The classification and measurement under IFRS 9 is not expected to have any impact on Modaraba's Accounting Policy and no major change is expected to result in the accounting treatment for the financial instruments that have been accounted for in these condensed interim financial information except for the calculation of impairment provision on Ijarah rentals receivable and operation and maintenance income receivables where the requirement of the Prudential Regulations for Modaraba's as issued by SECP prevails.

- IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. Management is not expecting impact of the standard on Modaraba's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 01 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Modaraba's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Modaraba's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Modaraba's financial statements.

3.4 Change in an accounting policy

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the informations presented for 2017 have not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

The revenue recognition of the Modaraba is based on the following policies:

- For Ijarah arrangements, Ijarah rentals are recognised as income on accrual basis, as and when rentals become due.
- Revenue from operation and maintenance service be recognised over time as those services are provided.

Profit on Diminishing Musharaka arrangements is recognised under the effective mark-up rate method based on the amount outstanding.

- Profit on bank deposits is recognised on accrual basis using the effective profit rate method.
- Other income is recognised on an accrual basis.

The above is generally consistent with the timing and amounts of revenue the Modaraba recognised in accordance with the previous standard, IAS 18, except for Ijarah transactions in accordance with the requirements of IFAS 2. In addition no distinct services are provided by the Modaraba. Therefore, the adoption of IFRS 15 did not had a material impact on the timing and amounts of revenue recognition of the Modaraba.

Accordingly there were no adjustments to retained earning on application of IFRS 15 at 01 July 2018.

4. ESTIMATES AND JUDGMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimation and uncertainty those are the same as those that applied to the financial statements as at and for the year ended 30 June 2018 except for the change of estimation in the useful lives of certain vehicles (in the employees use) from 8 years to 4 years resulting in an increase of Rs. 8.67 million in depreciation charge for the period (and a resultant decrease in the profit for the period by the same amount).

5. FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 30 June 2018.

6. CASH AND BANK BALANCES	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Balances with banks in:			
- current accounts		51,114,747	19,398,295
- deposit accounts	6.1	108,627,404	71,135,765
		<u>159,742,151</u>	<u>90,534,060</u>
Cash in hand		598,755	696,780
		<u>160,340,906</u>	<u>91,230,840</u>

6.1 These balances carry profit at rates ranging from 4.15% to 6.2% per annum (30 June 2018: 3.89% to 4.34% per annum).

7. IJARAH RENTALS RECEIVABLE	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Considered good		757,611,104	744,730,047
Considered doubtful (classified portfolio)	7.1	793,145,308	715,022,507
		<u>1,550,756,412</u>	<u>1,459,752,554</u>
Provision against potential Ijarah losses	7.1 & 7.2	(158,518,089)	(125,638,086)
		<u>1,392,238,323</u>	<u>1,334,114,468</u>

7.1 In accordance with the prudential regulations for the Modaraba issued by the Securities and Exchange Commission of Pakistan, the Modaraba has availed the benefit of cash deposit collaterals held by the Modaraba in respect of its non-performing portfolio. Such collaterals held as at 31 December 2018 amounted to Rs. 45.6 million (30 June 2018: Rs. 46.088 million). Due to the consideration of this benefit available with the Modaraba, profit for the six month period ended 31 December 2018 and the balance of provision against the potential Ijarah losses as of the period end is respectively higher and lower by Rs. 17.677 million.

7.2 Provision against potential Ijarah losses		31 December 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
Opening balance		125,638,086	77,611,579
Charge for the period / year		42,046,912	93,509,885
Written off during the period / year		(9,166,909)	(45,483,378)
Closing balance		<u>158,518,089</u>	<u>125,638,086</u>

8. OPERATION AND MAINTENANCE INCOME RECEIVABLE

Considered good		21,599,488	17,050,011
Considered doubtful (classified portfolio)		18,762,589	15,738,302
		<u>40,362,077</u>	<u>32,788,313</u>
Provision against operation and maintenance income receivable	8.1	(7,279,643)	(3,424,539)
		<u>33,082,434</u>	<u>29,363,774</u>

		31 December 2018 (Unaudited)	30 June 2018 (Audited)
8.1 Provision against operation & maintenance income receivable	<i>Note</i>		
			(Rupees)
Opening balance		3,424,539	6,811,169
Charge during the period / year		3,855,104	-
Reversal during the period / year		-	(3,188,630)
Written off during the period / year		-	(198,000)
Closing balance		<u>7,279,643</u>	<u>3,424,539</u>

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Income tax recoverable	9.1	415,191,825	278,698,086
Federal Excise Duty (FED) receivable	18.1.2	50,000,000	50,000,000
Punjab sales tax advance		73,495,195	96,610,414
Advances (unsecured) :			
- to contractors		1,682,772	1,682,772
- to suppliers		57,890,616	70,453,696
- to employees against salary		5,265,969	5,548,685
- to employees for expenses		3,524,949	13,658,111
Security deposits	9.2	22,686,608	23,134,108
Diminishing Musharaka - prepayment of borrowing		251,792	266,153
Accrued income on profit or loss sharing bank accounts		309,751	313,513
Insurance claim receivable		526,516	347,122
Others		<u>2,631,102</u>	<u>4,642</u>
		<u>633,457,095</u>	<u>540,717,302</u>

- 9.1** This represent income tax collected at source at the import stage by the collector of customs amounting to Rs 115.4 million (30 June 2018: Rs 114.05 million) and tax deductions of Rs. 299.79 million (30 June 2018: 164.65) from various payments made to Modaraba.

As explained in note 25, income of the Modaraba is exempt from tax under clause 100 of the Second Schedule of Income Tax Ordinance, 2001. However, withholding of taxes under sections 153 (1)(b), 148 and other sections of the Income Tax Ordinance, 2001 have been made by the withholding agents. Exemption certificates for non-deduction of tax at source is currently not available with the Modaraba and was not renewed by Commissioner Inland Revenue Large Tax Payer Unit (LTU-II) and an appeal to the Chief Commissioner LTU-II was also not accepted.

The Modaraba is of the view that since its total income is exempt from income tax by virtue of compliance of clause 100 of the Second Schedule, exemption certificate under sections 153 (1)(b), 148 be at least granted by Federal Board of Revenue as the Modaraba has always complied with the requirement of the clause 100 of the Second Schedule.

However, after the orders passed by CIR and Chief Commissioner of turning down the exemption request under section 148 and 153 (1) (b) of the Modaraba, management has filed the constitutional petition in the Honourable Sindh High Court against the said orders which is pending herein. The Modaraba, in consultation with its tax advisor is of the view that it has a fair chance of succeeding in the above matter.

- 9.2** This includes Rs. 12.4 million (30 June 2018: Rs. 12.4 million) held by Banks as security for the guarantees of the same amount given by them on behalf of the Modaraba to its suppliers / customers.

	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
10. FIXED ASSETS IN OWN USE - tangible			
		(Rupees)	
Fixed assets in own use - tangible (at cost less accumulated depreciation)	10.1	124,747,528	115,918,755
Capital work in progress	10.2	4,299,461	15,365,240
		<u>129,046,989</u>	<u>131,283,995</u>

31 December 2018 (Unaudited)			
	Furniture, fixtures and office equipment	Vehicles	Total
10.1 Fixed Assets In Own Use - Tangible			
	(Rupees)		
At 01 July 2018			
Cost	28,975,867	138,580,566	167,556,433
Accumulated depreciation	(12,234,186)	(39,403,493)	(51,637,679)
Net book value as at 01 July 2018	16,741,681	99,177,073	115,918,754
Additions during the period	4,319,414	26,488,601	30,808,015
Disposals during the period			
Cost	-	(10,822,500)	(10,822,500)
Accumulated depreciation	-	3,654,488	3,654,488
	-	(7,168,012)	(7,168,012)
Depreciation charge for the period	(1,611,280)	(13,199,949)	(14,811,229)
Closing net book value as at 31 December 2018	19,449,815	105,297,713	124,747,528
At 31 December 2018			
Cost	33,295,281	154,246,667	187,541,948
Accumulated depreciation	(13,845,466)	(48,948,954)	(62,794,420)
Net book value as at 31 December 2018	19,449,815	105,297,713	124,747,528
Life (years)	3 to 8	4 to 8	
	30 June 2018 (Audited)		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
At 01 July 2017			
Cost	22,237,552	101,006,401	123,243,953
Accumulated depreciation	(9,513,297)	(30,574,146)	(40,087,443)
Net book value as at 01 July 2017	12,724,255	70,432,255	83,156,510
Additions during the year	6,738,315	48,812,243	55,550,558
Disposals during the year			
Cost	-	(11,238,078)	(11,238,078)
Accumulated depreciation	-	3,501,564	3,501,564
	-	(7,736,514)	(7,736,514)
Depreciation charge for the year	(2,720,889)	(12,330,911)	(15,051,800)
Closing net book value as at 30 June 2018	16,741,681	99,177,073	115,918,754
At 30 June 2018			
Cost	28,975,867	138,580,566	167,556,433
Accumulated depreciation	(12,234,186)	(39,403,493)	(51,637,679)
Net book value as at 30 June 2018	16,741,681	99,177,073	115,918,754
Life (years)	3 to 8	8	

10.2 This represents advances paid for the purchase of vehicles for own use.

11. INTANGIBLE ASSET FOR OWN USE

Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
	(Rupees)	
Intangible asset for own use (at cost less amortization) - software	11.1 3,345,229	4,301,009
Capital work-in-progress (advance to the supplier for the software)	1,825,556	1,825,556
	<u>5,170,785</u>	<u>6,126,565</u>

11.1 Intangible asset for own use (at cost less amortisation) - software at 1 July

Cost - computer software	7,646,238	7,646,238
Accumulated amortization	(3,345,229)	-
Net book value as at 1 July	<u>4,301,009</u>	<u>7,646,238</u>
Amortization during the period / year	22 (955,780)	(3,345,229)
Carrying value as at the period-end / year-end	<u>3,345,229</u>	<u>4,301,009</u>
Life over which cost of the asset is amortized	<u>4 years</u>	<u>4 years</u>

12. IJARAH ASSETS

Ijarah assets (at cost less accumulated depreciation)	12.1 <u>6,611,462,796</u>	<u>6,732,935,766</u>
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12.1 Ijarah assets - at cost less accumulated depreciation

	31 December 2018 (Unaudited)		
	Generators, material handling / transportation vehicles and related equipments	Machines	Total
	(Rupees)		
At 01 July 2018			
Cost	9,517,812,918	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,827,769,801)	(166,649,104)	(3,994,418,905)
Net book value as at 1 July 2018	<u>5,690,043,117</u>	<u>1,042,892,649</u>	<u>6,732,935,766</u>
Additions during the period	253,783,723	41,798,500	295,582,223
Disposals during the period			
Cost	(101,141,865)	-	(101,141,865)
Accumulated depreciation	<u>61,140,147</u>	<u>-</u>	<u>61,140,147</u>
	(40,001,718)	-	(40,001,718)
Depreciation charge for the period	(333,174,206)	(43,879,269)	(377,053,475)
Closing net book value as at 31 December 2018	<u>5,570,650,916</u>	<u>1,040,811,880</u>	<u>6,611,462,796</u>
At 31 December 2018			
Cost	9,670,454,776	1,251,340,253	10,921,795,029
Accumulated depreciation	(4,099,803,860)	(210,528,373)	(4,310,332,233)
Net book value as at 31 December 2018	<u>5,570,650,916</u>	<u>1,040,811,880</u>	<u>6,611,462,796</u>
Life (Years)	<u>1 to 24</u>	<u>8 to 10</u>	

	30 June 2018 (Audited)		
	Generators, material handling / transportation vehicles and related equipments	Machines	Total
At 01 July 2017	(Rupees)		
Cost	8,571,584,642	817,980,227	9,389,564,869
Accumulated depreciation	(3,236,248,485)	(93,651,657)	(3,329,900,142)
Net book value as at 1 July 2017	5,335,336,157	724,328,570	6,059,664,727
Additions during the year	1,335,204,974	391,561,526	1,726,766,500
Disposals during the year			
Cost	(388,976,698)	-	(388,976,698)
Accumulated depreciation	265,027,293	-	265,027,293
	(123,949,405)	-	(123,949,405)
Depreciation charge for the year	(856,548,609)	(72,997,447)	(929,546,056)
Closing net book value as at 30 June 2018	5,690,043,117	1,042,892,649	6,732,935,766
At 30 June 2018			
Cost	9,517,812,918	1,209,541,753	10,727,354,671
Accumulated depreciation	(3,827,769,801)	(166,649,104)	(3,994,418,905)
Net book value as at 30 June 2018	5,690,043,117	1,042,892,649	6,732,935,766
Life (Years)	1 to 24	8 to 10	

12.2 During the period, the Modaraba acquired certain equipments and parts amounting to Rs. 50.217 million (year ended 30 June 2018: Rs. 157.069 million) from Allied Engineering and Services (Private) Limited (AESL), an associated company.

12.3 Additions to Ijarah assets during the period include assets amounting to Rs. 224.472 million (year ended 30 June 2018: Rs. 1,280.735 million) acquired under Diminishing Musharaka financing. The Modaraba holds title to these assets.

	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
13. CAPITAL WORK-IN-PROGRESS - ijarah assets			
Generators under installation		-	7,758,256
Advance for purchase of equipments and trucks		24,002,783	57,098,385
		24,002,783	64,856,641
14. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors for goods	14.1	418,073,728	351,257,500
Advances from customers		93,025,722	49,050,857
Security deposit		-	200,000
Employee car scheme - deductions	14.2	17,426,384	24,092,759
<i>Accrued expenses</i>			
- Creditors for expenses		88,526,937	102,878,209
- Accrued commission		5,585,786	2,266,436
- Accrued staff bonus		63,720,798	27,516,803
- Auditor's remuneration		300,000	624,157
- Accrued financial charges	14.3	37,796,627	37,685,908
- Miscellaneous		176,186	40,564
		196,106,334	171,012,077
Income tax deductions at source from			
- employees		339,822	612,118
- suppliers		2,143,557	2,523,088
Sales tax		50,487,570	26,537,626
		777,603,117	625,286,025

14.1 This includes Rs. 339.331 million (30 June 2018: Rs. 287.878 million) payable to Allied Engineering and Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

14.2 This represents amount received from the employees under the Modaraba's employee car scheme policy.

14.3 This represents accrual of financial charges of Rs. 37.332 million (30 June 2018: Rs. 37.826 million) respectively in respect of Diminishing Musharaka activities availed by the Modaraba.

15. PAYABLE TO THE MANAGEMENT COMPANY

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. During the period, the Modaraba recorded liability for remuneration at 1.803% of the profit for the six months period ended 31 December 2018 amounting to Rs. 5 million (31 December 2017: 2.053% of the profit amounting to Rs. 5 million). Remuneration based on the annual results shall be paid after the year ending 30 June 2019.

16. DIMINISHING MUSHARAKA FINANCING	Note	31 December 2018 (Unaudited)	30 June 2018 (Audited)
		(Rupees)	
PAYABLE - secured			
Musharaka finance	16.1 & 16.3	2,868,404,037	3,043,988,105
Due within one year		(1,087,353,721)	(1,008,787,702)
		<u>1,781,050,316</u>	<u>2,035,200,403</u>
16.1 Financing from Islamic banking and financial institutions		2,811,675,591	2,860,237,958
Financing from Modarabas	16.2	56,728,446	183,750,147
		<u>2,868,404,037</u>	<u>3,043,988,105</u>

16.2 The total facility under Musharaka finance available / unavailed from Islamic Bank and financial institutions amounts to Rs. 1,464.599 million (30 June 2018: Rs. 1,505.005 million). These facilities have maturities from January 2019 to November 2023 (30 June 2018: July 2018 to June 2023) and are secured against the hypothecation of Ijarah assets amounting to Rs. 6,428.033 million (30 June 2018 Rs. 5,715.155 million). Share of profit payable on these facilities is 6.91% to 11.69% per annum (2018: 7.05% to 7.84%) per annum.

16.3 This includes advance for diminishing musharaka amounting to Rs. 42.830 million (30 June 2018: Rs. 191.866 million) which will be converted subsequent to the period end into diminishing musharaka facility when the assets will be available for its intended use. Share of profit payable on this balance is 10.5% per annum (30 June 2018: 7.05% per annum).

17. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

17.1 Authorised certificate capital

31 December 2018 (Unaudited) (Number of certificates)	30 June 2018 (Audited)		31 December 2018 (Unaudited) (Rupees)	30 June 2018 (Audited)
<u>225,000,000</u>	<u>225,000,000</u>	Modaraba Certificates of Rs. 10 each	<u>2,250,000,000</u>	<u>2,250,000,000</u>

17.2 Issued, subscribed and paid-up certificate capital

172,625,000	172,625,000	Modaraba Certificates of Rs. 10 each fully paid in cash	1,726,250,000	1,726,250,000
47,375,000	27,375,000	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	473,750,000	273,750,000
<u>220,000,000</u>	<u>200,000,000</u>		<u>2,200,000,000</u>	<u>2,000,000,000</u>

17.3 The Board of Directors of the Management Company approved the issue of bonus certificate in the proportion of 1 certificate for every 10 certificates held amounting to Rs. 200 million, in its meeting held on 29 August 2018. Under the Prudential Regulations for Modaraba, bonus issue may be made out of statutory reserves.

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

Contingencies outstanding as at 31 December 2018 are as follows:

18.1.1 Sindh Sales Tax on operations and maintenance services of the Modaraba

During the year ended 30 June 2014, the Assistant Commissioner - Sindh Revenue Board (SRB) issued an order no. 160 of 2013 dated 12 July 2013 demanding Sindh Sales Tax of Rs. 25.633 million at 16% on total Operation and Maintenance income of the Modaraba of Rs. 160.204 million for the year ended 30 June 2012.

Considering the nature of Operation and Maintenance Services, their geographical limitations and method of computation relating to levy of provincial Sales Tax on services as envisaged in the Sindh Sales Tax on Services Act 2011, the Modaraba filed an appeal with the Commissioner Appeals - Sindh Revenue Board (SRB). Simultaneously, the Modaraba also filed a Constitutional petition in the Honorable High Court of Sindh relating to the levy of Sindh Sales Tax by virtue of which the Honorable High Court of Sindh kindly stayed the demand of Sindh Sales Tax vide its order dated 11 October 2013. However, subsequently the Honorable High Court of Sindh issued a judgment dated 27 January 2014 directing SRB not to take any coercive action against Allied Rental Modaraba, till the decision has been reached in Appeal which was pending before the Commissioner Appeals - Sindh Revenue Board (SRB).

The Commissioner Appeals- Sindh Revenue Board (SRB) vide his order in appeal number 16/2014 dated 25 February 2014 reduced the demand of Sindh Sales Tax from Rs. 25.633 million to Rs. 12.238 million stating that the differential amount of Rs. 13.395 million pertains to the services rendered outside the province of Sindh.

The Modaraba had filed a Constitutional Petition CP No. D-1190 in the Honorable High Court of Sindh against the order of the Commissioner Appeals - Sindh Revenue Board (SRB) by virtue of which the Honorable High Court of Sindh vide its order dated 11 March 2014 had suspended the operation of the impugned order of the Commissioner Appeals - SRB. Subsequently, the Sindh Revenue Board Tribunal was constituted and became functional in June 2015. The Modaraba, on direction of the

During the year ended 30 June 2018, tribunal disposed of the appeal in favour of the Modaraba. However, the Commissioner has demanded the said tax dues along with penalty (resulting in the total amount Rs. 13.118 million). Modaraba has filed an appeal with the Commissioner appeals along with applications for stay of demand which remains undisposed, therefore, Modaraba filed a petition dated 15 May 2018 in the Honourable High Court of Sindh for the stay of demand and the Court granted a stay order till the next date of hearing. The Management believes that the outcome of the petition will be in favour of the Modaraba and hence no provision has been made in these financial statements.

18.1.2 Federal Excise Duty on gross revenue receipts of the Modaraba

On 01 March 2016, assessment orders relating to tax years 2014 and 2015 were received from the Assistant Commissioner of Inland Revenue demanding Federal Excise Duty (FED) aggregating to Rs 838.662 million (calculated @16% of gross receipts of the Modaraba for the above mentioned tax years) and the related default surcharge and applicable penalty. In response, an appeal was filed by the Modaraba with the Commissioner Inland Revenue – Appeals (CIR-A) on 16 March 2016. An under protest payment of Rs 50 million was also made by the Modaraba to the Federal Board of Revenue in respect of the above.

In the opinion of the management pursuant to the 18th amendment in the Constitution of Pakistan, the authority to collect sales tax has been delegated to the provinces. Accordingly, the Modaraba filed Constitutional Petitions with the Honorable Sindh High Court (SHC) in respect of which the SHC granted an interim injunction order to the Modaraba. The petitions were decided by the SHC on 02 June 2016 in which the SHC declared the levy of FED as 'ultra vires' with effect from 01 July 2011 and also quashed any duty recovered by the FBR.

However, in contradiction to the above mentioned judgment by the SHC, the CIR-A through orders dated 03 June 2016 upheld the levy of FED on the Modaraba and consequently directed the Modaraba to pay the alleged amount of FED along with default surcharge and penalty. In response the Modaraba has filed appeals with the Honorable Appellate Tribunal Inland Revenue (ATIR) which is pending hearing.

Subsequently, appeals have been filed in the Honorable Supreme Court of Pakistan by the counter parties aggrieved by the above mentioned order of SHC which is pending hearing.

In light of the judgment of the SHC and based on consultations with its advisors, the management believes that the outcome of the appeals with the ATIR and Supreme Court of Pakistan will be in favour of the Modaraba. Accordingly, no provision in respect of FED has been made in these financial statements. Further, the under protest payment of Rs. 50 million made to the FBR has been shown as a refundable balance in note 9 to these condensed interim financial information.

18.1.3 On 05 June 2017, the Sindh Revenue Board issued a notification under which an amendment was made in Rule 42E (5) Sindh Sales Tax on Service Act, 2011. The amount of reimbursement of salaries and allowances of the labour and manpower are included in the value of services. Hence such reimbursements is now exposed to Sindh sales tax at 13% under tariff heading 9829.0000 of the Second Schedule of Sindh Sales Tax on Service Act, 2011. Earlier such reimbursements were not exposed to Sindh sales tax. The Honourable Court of Sindh has granted interim stay on aforesaid change on 21 August 2017. The amount involved in respect of this amendment is estimated to be of Rs. 35,428 million as of 31 December 2018. The management, based on a legal advise, believes that the decision will be in its favour.

18.1.4 Please refer note 9.2 also regarding certain guarantees given on behalf of the Modaraba.

18.1.5 During the year ended 30 June 2018, Commissioner demanded, through assessment order no. 01 of 2018 dated 27 June 2018, sales tax amounting to Rs. 26.228 million in respect of disposal of ijarah asset against sales value of Rs. 156.64 million. Modaraba has filed an appeal with Commissioner (Appeal) and paid ten percent of the demanded amount. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these Condensed financial statements.

18.1.6 During the year ended 30 June 2018, Deputy Commissioner Inland Revenue (CIR) issued an order D.C. no. 21/03 dated 9 June 2018 in respect of tax audit for the tax year 2012. Order demanded tax amounting to Rs. 8.152 million against the profit on ijarah financing, gain on assets of ijarah assets and management fees which were adjusted against the income tax recoverable for the said tax year. Modaraba has filed an appeal with Commissioner Inland Revenue (Appeal) against the order. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

18.1.7 Workers' Welfare Fund

The Supreme Court of Pakistan has upheld the view of the Honourable Lahore High Court, declaring the insertion of amendments introduced in the Finance Act 2008 pertaining to Workers Welfare Fund (WWF) as unlawful and thereby striking down the amendments introduced through the Finance Act. The Federal Board of Revenue has filed a review petition against the above judgment. The petition is currently pending with the Supreme Court of Pakistan.

Furthermore, the Sindh Revenue Board (SRB) had written to Modaraba in February 2016 to register and pay Sindh Workers Welfare Fund (SWWF). The Modaraba is of the view that Sindh WWF Act is limited to the province of Sindh and the definition of total income as provided for in the SWWF encompasses the total income of an assessee for whole of the country i.e. for all provinces, thus in lieu of the definition of the total income under SWWF, 2% contribution to be paid is not limited to the province of Sindh. The Modaraba has its operations all across Pakistan therefore total income declared in its tax return is a cumulative sum of income for all provinces. Thus for this reason the definition of total income as provided in SWWF is not correct and charging of WWF is ultra vires of the legislative power conferred upon the province of Sindh. As a result, the Modaraba is of the view that unless there is a mechanism of the apportionment of the total income relevant to the province of Sindh, SRB has no legal authority to demand and/or collect SWWF from the Modaraba. Therefore, based on above grounds the Modaraba, has filed a petition CPD: 935/2017 dated 15 February 2017 in the Sindh High Court who has granted a restraining order in favour of the Modaraba. Besides the Modaraba has also obtained a legal opinion which mentions that keeping in view a judgement of the Honourable Supreme Court of Pakistan, which has held that subjects of labour at trans-provincial level falls within the domain of Federal Legislative and not the provincial legislative, the trans-province entities are to be governed under the Federal Workers' Welfare Fund Ordinance rather than under the Sindh Workers' Welfare Fund Act, 2014. The Management of the Modaraba is hopeful of a favourable outcome of its appeal.

The legal advisor has also opined that in view of the matters discussed above, Modaraba is a federal subject but escapes the charging provision because it is not an industrial establishment as defined in the WWF Ordinance.

18.2 Commitments

18.2.1 Contractual rentals receivable on Ijarah contracts

	31 December 2018 (Unaudited)			30 June 2018 (Audited)		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)			(Rupees)		
Rentals receivable in future	117,880,006	147,226,500	265,106,506	156,865,437	199,472,000	356,337,437

This represents the rentals receivable by the Modaraba in future periods in respect of Ijarah assets given for the period mentioned above.

18.2.2 Other Commitments

	31 December 2018 (Unaudited)	30 June 2018 (Audited)
	(Rupees)	
Capital commitment	1,059,000	-

	Six months period ended		Three months period ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Note	(Unaudited)			
	(Rupees)			
19. IJARAH RENTALS - net				
Ijarah rentals	2,032,211,215	1,874,054,623	1,012,142,486	1,007,135,889
Sales tax	(174,110,908)	(152,443,892)	(95,701,384)	(74,459,652)
	1,858,100,307	1,721,610,731	916,441,102	932,676,237
20. OPERATION AND MAINTENANCE INCOME - net				
Operation and maintenance income	75,813,124	65,488,548	43,062,858	31,888,028
Sales tax	(6,689,360)	(4,508,309)	(3,454,546)	(2,121,259)
	69,123,764	60,980,239	39,608,312	29,766,769
21. OPERATION, MAINTENANCE AND IJARAH RELATED EXPENSES				
Salaries, wages and other staff benefits	462,240,097	394,438,233	221,103,104	193,115,080
Depreciation expense 12.1	377,053,475	448,487,212	181,145,513	265,951,943
Repairs and maintenance expenses	215,843,629	169,599,943	107,820,095	81,432,173
Ijarah rentals	-	9,934,771	-	-
Fleet vehicles running expenses	321,689,899	232,770,482	181,537,775	132,415,252
Vehicles running expenses	17,098,639	10,558,750	8,024,055	5,806,640
Insurance expense - equipments	20,732,335	20,155,603	10,275,429	11,281,114
Travelling and conveyance expenses	8,931,478	4,765,890	5,578,605	2,248,452
Rent expense	14,881,050	12,792,260	9,662,120	7,589,644
	1,438,470,602	1,303,503,144	725,146,696	699,840,298
22. ADMINISTRATIVE EXPENSES				
Salaries, wages and other staff benefits	72,476,442	55,940,217	35,368,915	29,451,060
Vehicle running costs	6,449,783	4,824,895	3,416,879	2,278,715
Travelling and conveyance	2,470,992	3,491,702	1,356,810	2,132,192
Depreciation expense 10.1	14,811,229	6,929,199	10,027,211	3,238,860
Amortization expense 11.1	955,780	955,779	955,780	955,779
Legal and professional charges	5,869,157	3,658,437	2,531,389	915,785
Auditors' remuneration	545,393	600,000	545,393	600,000
Telephone, postage and fax charges	3,620,936	2,787,954	1,940,676	1,354,421
Advertisement and sales promotion	786,544	1,342,673	522,592	930,394
Printing and stationery	2,996,379	3,311,055	1,672,905	2,168,406
Insurance cost - vehicles	1,362,420	1,150,183	717,050	656,406
Training, meetings and tender participation	954,655	838,426	626,590	334,257
Donation	150,000	167,920	-	167,920
Software development	1,092,774	479,512	1,087,524	-
Entertainment	2,324,403	2,205,231	1,465,418	1,136,346
Utilities	1,651,620	1,416,402	740,522	549,234
Security	1,554,142	1,724,388	594,316	868,434
Miscellaneous	119,130	38,383	64,210	38,383
	120,191,779	91,862,356	63,634,180	47,776,592

Six months period ended		Three months period ended	
31 December 2018	31 December 2017	31 December 2018	31 December 2017
		(Unaudited)	
		(Rupees)	

23. FINANCE COST

Financial cost on Diminishing Musharaka financing arrangement	127,864,994	110,178,764	68,546,734	55,001,243
Financial cost on Bai Muajjal financing arrangement	-	2,095,330	-	2,095,330
Bank charges and commission	1,809,040	2,604,152	1,037,792	1,203,701
Exchange loss	4,757,440	1,503,041	4,577,957	1,965,795
	<u>134,431,474</u>	<u>116,381,287</u>	<u>74,162,483</u>	<u>60,266,069</u>

24. OTHER INCOME - net

Profit on deposit accounts with bank	2,844,698	3,527,407	1,879,762	1,933,651
Income from Diminishing Musharka arrangements	28,010	393,464	3,081	183,326
Proceeds for disposal of scrap	9,944,457	5,842,663	4,512,725	1,785,245
Gain / (loss) on disposal of fixed assets and Ijarah	77,752,252	(1,439,482)	76,900,290	(1,439,482)
Other Income	3,548,087	-	-	-
	<u>94,117,504</u>	<u>8,324,052</u>	<u>83,295,858</u>	<u>2,462,740</u>

25. TAXATION

25.1 As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes 90% of its profits to its certificate holders for the year after meeting appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves for the year ending 30 June 2019. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial information.

The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2018 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

26. EARNINGS PER CERTIFICATE

EARNINGS PER CERTIFICATE		For the six month period ended		Three months period ended	
		31 December 2018	31 December 2017 (Restated)	31 December 2018	31 December 2017 (Restated)
		----- (Unaudited) -----			
Note		----- (Rupees) -----			
Profit for the period		<u>277,345,704</u>	<u>243,606,956</u>	<u>135,499,896</u>	<u>121,461,508</u>
		----- (Number of certificates) -----			
Weighted average number of ordinary certificates outstanding during the period	26.2	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>	<u>220,000,000</u>
		----- (Rupees) -----			
Earnings per certificate - basic and diluted		1.26	1.11	0.62	0.55

26.1 No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instrument which would have an impact on basic earnings per certificate when exercised.

26.2 This includes the impact of issue of bonus certificate approved by the Board of Directors of the Management Company in the proportion of 1 certificate for every 10 certificates held amounting to Rs. 200 million, in its meeting held on 29 August 2018.

27. RELATED PARTY TRANSACTIONS

Parties which are related to the Company in pursuit of IAS 24 'Related Party Disclosures' including associates, directors, staff retirement benefit plans and key management personnel are considered as related parties. Remuneration of key management personnel are in accordance with the terms of employment. Dividend payout are recorded at rate approved by Modaraba Management Company. Management Company's remuneration is in accordance with the rate mentioned in the law. Contribution to the Provident Fund is in accordance with the service rules. Other transactions are at approved rates.

27.1 Transactions and balances with related parties (other than those which have been disclosed elsewhere in these condensed interim financial information):

Name of the related party	Relationship and percentage shareholding	Transactions during the period and period-end balances	Six months period ended	
			31 December 2018	31 December 2017
			(Unaudited)	(Unaudited)
			(Rupees)	(Rupees)
			Note	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Modaraba Management Company's remuneration	5,000,000	5,000,000
		Payment made to the Modaraba Management Company (including management fee) during the year	-	2,583,177
		Amount received from the Modaraba Management Company during the period	-	14,000
		Amount received against subscription of right certificates	-	73,499,970
		Dividend paid during the period	39,999,998	52,650,000
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Purchase of assets	50,217,160	60,996,802
		Purchase of parts and services	145,965,038	136,844,860
		Income from ijarah assets	3,836,403	8,872,672
		Reimbursement of expenses	3,288,972	2,403,742
		Dividend paid during the period	138,119,158	127,719,618
Apex Machinery (Private) Limited	Associated Company	Purchase of parts	56,712,254	-
Allied Commercial Enterprises (Private) Limited	Associated Company	Income from ijarah assets	51,089,187	-
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Contribution to the Staff Provident Fund during the period	6,568,568	5,417,127
		Dividend paid during the period	3,395,335	4,469,111
Key Management Personnel	Key Management Personnel	Remuneration of key management personnel during the period	21,420,000	50,989,174
		Dividend paid during the period	105,314	668,220
		Contribution to the staff provident fund during the period	1,381,932	1,890,733
		Charge for staff gratuity scheme during the period	667,097	1,911,541
		Loss on sale of vehicles under employee car scheme (sale proceeds: Rs.7,166,981)	-	455,471
Directors	Directors of Management Company	Dividend paid during the period	3,172,792	4,175,906

27.2 Balances with related parties (other than those which have been disclosed elsewhere in these condensed interim financial information):

Name of the related party	Relationship and percentage shareholding	Transactions during the period and period-end balances	Note	Six months period ended	
				(Unaudited)	(Audited)
				31 December 2018	30 June 2018
				----- (Rupees) -----	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)	Associated Company	Issue of bonus certificates 3,999,999 (30 June 2018: Nil)		39,999,990	-
		Outstanding certificates 43,999,997 (30 June 2018 : 39,999,998)		439,999,970	399,999,980
		Payable to the Modaraba Management Company	15	17,156,498	12,265,972
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)	Associated Company	Issue of right certificates Nil (30 June 2018: 17,164,581) (including premium of Rs. 5 per certificate) during the period		-	257,468,715
		Issue of bonus certificates 13,811,915 (30 June 2018: Nil)		138,119,150	-
		Outstanding certificates 151,931,073 (30 June 2018: 140,119,158)		1,519,310,730	1,401,191,580
		Payable against purchase of parts and services		339,330,660	287,878,649
Apex Machinery (Private) Limited	Associated Company	Payable against purchase of parts		8,975,443	10,315,427
Allied Commercial Enterprises (Private) Limited	Associated Company	Ijarah rental receivable		35,118,721	20,009,023
Allied Engineering and Services (Private) Limited - Staff Provident Fund	Provident Fund	Issue of Right certificates Nil (2018: 415,928) (including premium of Rs. 5 per certificate) during the period		-	6,238,923
		Issue of bonus certificates 339,533 (30 June 2018: Nil)		3,395,330	-
		Outstanding certificates 3,734,868 (30 June 2018: 3,395,335)		37,348,680	33,953,350
Key Management Personnel	Key Management Personnel	Issue of right certificate Nil (30 June 2018: 18,861) (including premium of Rs. 5 per certificate) during the year		-	282,915
		Outstanding certificates 115,844 (30 June 2018: 146,164)		1,158,440	1,461,640
Directors	Directors of Management Company	Issue of bonus certificates 317,277 (30 June 2018: Nil)		3,172,770	-
		Outstanding certificates 3,490,069 (30 June 2018: 3,172,792)		34,900,690	31,727,920

28. SEGMENTAL INFORMATION

As per IFRS 8, "Operating Segments", Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Modaraba has determined the operating segments based on the reports reviewed by the Chief Executive Officer, which are used to make strategic decisions.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have two operating segments. The Modaraba's asset allocation decisions are based on an integrated investment strategy. The Modaraba is domiciled in Pakistan and all of its income is generated in Pakistan. The Modaraba's performance is evaluated on the basis of two operating segments.

As at 31 December 2018 there were only two certificate holders (30 June 2018: two) who each held more than 10% of the Modaraba's certificates capital. Their holding were 69% and 20% (30 June 2018: 69% and 20%).

28.1 Details of segment revenues, costs, profit, assets and liabilities are as follows:

	For the half year ended					
	Ijarah		Operation and Maintenance		Total	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	(Unaudited)					
	(Rupees)					
Segment revenues / profits						
Revenue	1,858,100,307	1,721,610,731	69,123,764	60,980,239	1,927,224,071	1,782,590,970
Costs	(1,684,001,666)	(1,495,813,775)	(54,994,205)	(46,494,291)	(1,738,995,871)	(1,542,308,066)
Reportable segment profit	<u>174,098,641</u>	<u>225,796,956</u>	<u>14,129,559</u>	<u>14,485,948</u>	<u>188,228,200</u>	<u>240,282,904</u>
Segment assets and liabilities						
	31 December 2018 (Un-audited)	30 June 2018 (Audited)	31 December 2018 (Un-audited)	30 June 2018 (Audited)	31 December 2018 (Un-audited)	30 June 2018 (Audited)
	(Rupees)					
Reportable segment assets						
Rentals receivable	1,392,238,323	1,334,114,468	33,082,434	29,363,774	1,425,320,757	1,363,478,242
Advances, deposits, prepayments and other receivables	569,264,244	207,901,404	-	-	569,264,244	207,901,404
Spare parts	109,398,082	104,835,161	-	-	109,398,082	104,835,161
Ijarah assets	6,611,462,796	6,732,935,766	-	-	6,611,462,796	6,732,935,766
Capital work-in-progress - ijarah asset	24,002,783	64,856,641	-	-	24,002,783	64,856,641
	<u>8,706,366,228</u>	<u>8,444,643,440</u>	<u>33,082,434</u>	<u>29,363,774</u>	<u>8,739,448,662</u>	<u>8,474,007,214</u>
Reportable segment liabilities						
Creditors, accrued and other liabilities	598,468,058	440,517,353	915,589	-	599,383,647	440,517,353
Diminishing Musharaka	2,868,404,037	3,043,988,105	-	-	2,868,404,037	3,043,988,105
Security deposits	111,398,732	115,088,000	-	-	111,398,732	115,088,000
	<u>3,578,270,827</u>	<u>3,599,593,458</u>	<u>915,589</u>	<u>-</u>	<u>3,579,186,416</u>	<u>3,599,593,458</u>

28.2 Reconciliation of reportable segments revenues, profit or loss, assets and liabilities is as follow:

	Note	31 December 2018	31 December 2017
		(Unaudited)	
		(Rupees)	
Revenues			
Total revenue for reportable segments	28.1	1,927,224,071	1,782,590,970
Other income	24	94,117,504	8,324,052
		<u>2,021,341,575</u>	<u>1,790,915,022</u>
Profit			
Total profit for reportable segments	28.1	188,228,200	240,282,904
Other income	24	94,117,504	8,324,052
Modaraba Management Company's Remuneration		(5,000,000)	(5,000,000)
		<u>277,345,704</u>	<u>243,606,956</u>

		31 December 2018 (Unaudited)	30 June 2018 (Audited)
		----- (Rupees) -----	
Assets			
Total assets for reportable segments	28.1	8,739,448,662	8,474,007,214
Unallocated assets			
- Cash and bank balances	6	160,340,906	91,230,840
- Advances and other receivables		64,192,851	332,815,898
- Security deposits		50,000	50,000
- Diminishing musharaka financing - secured		-	967,729
- Fixed assets in own use - tangible	10	129,046,989	131,283,995
- Intangible asset for own use	11	5,170,785	6,126,565
		<u>9,098,250,193</u>	<u>9,036,482,241</u>
Liabilities			
Total liabilities for reportable segments	28.1	3,579,186,416	3,599,593,458
Unallocated liabilities			
- Creditors, accrued and other liabilities		178,219,470	184,768,672
- Payable to the Modaraba Management Company	15	17,156,498	12,265,972
- Deferred liability for staff gratuity		77,592,357	69,496,154
- Other long-term employee benefit		18,297,635	18,729,167
- Unclaimed dividend		1,157,855	1,092,249
		<u>3,871,610,231</u>	<u>3,885,945,672</u>

28.3 The above mentioned segments do not necessarily match with the organisational structure of the Modaraba.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates. Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

29.1 The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized.

		As at 31 December 2018 (Unaudited)							
		Carrying Value				Fair Value			
		Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)							
Financial assets not measured at fair value	29.2								
Cash and bank balances		160,340,906	-	-	160,340,906	-	-	-	-
Ijarah rentals receivable		1,392,238,323	-	-	1,392,238,323	-	-	-	-
Operation and maintenance income receivable		33,082,434	-	-	33,082,434	-	-	-	-
Advances, deposits and other receivables		23,522,875	-	-	23,522,875	-	-	-	-
Diminishing musharaka		-	-	-	-	-	-	-	-
Long term security deposit		50,000	-	-	50,000	-	-	-	-
		<u>1,609,234,538</u>	-	-	<u>1,609,234,538</u>				
Financial liabilities not measured at fair value	29.2								
Creditors, accrued and other liabilities		-	-	614,180,062	614,180,062	-	-	-	-
Payable to the Modaraba Management Company		-	-	17,156,498	17,156,498	-	-	-	-
Diminishing musharaka		-	-	2,868,404,037	2,868,404,037	-	-	-	-
Security deposits		-	-	111,398,732	111,398,732	-	-	-	-
Unclaimed dividend		-	-	1,157,885	1,157,885	-	-	-	-
		-	-	<u>3,612,297,214</u>	<u>3,612,297,214</u>				
		As at 30 June 2018 (Audited)							
		Carrying Value				Fair Value			
		Loans and receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees)							
Financial assets not measured at fair value	29.2								
Cash and bank balances		91,230,840	-	-	91,230,840	-	-	-	-
Ijarah rentals receivable		1,334,114,468	-	-	1,334,114,468	-	-	-	-
Operation and maintenance income receivable		29,363,774	-	-	29,363,774	-	-	-	-
Advances, deposits and other receivables		23,799,385	-	-	23,799,385	-	-	-	-
Diminishing musharaka		967,729	-	-	967,729	-	-	-	-
Long term security deposit		50,000	-	-	50,000	-	-	-	-
		<u>1,479,526,196</u>	-	-	<u>1,479,526,196</u>				
Financial liabilities not measured at fair value	29.2								
Creditors, accrued and other liabilities		-	-	522,469,577	522,469,577	-	-	-	-
Bai Mu'ajjal - secured		-	-	-	-	-	-	-	-
Payable to the Modaraba Management Company		-	-	10,965,972	10,965,972	-	-	-	-
Diminishing musharaka		-	-	3,043,988,105	3,043,988,105	-	-	-	-
Security deposits		-	-	115,088,000	115,088,000	-	-	-	-
Unclaimed dividend		-	-	1,092,249	1,092,249	-	-	-	-
		-	-	<u>3,693,603,903</u>	<u>3,693,603,903</u>				

29.2 The Modaraba has not disclosed the fair values for the above financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their fair values are not significantly different from their carrying amounts.

30. GENERAL

30.1 Figures in these condensed interim financial information for the quarter ended 31 December 2018 and 31 December 2017 have not been subjected to limited scope review of the auditors.

30.2 Date of authorisation

These condensed interim financial information were authorised for issue by the Board of Directors of the Management Company in its meeting held on February 28, 2019.

For Allied Engineering Management Company (Private) Limited
(Management Company)




Muhammad Saad
Chief Financial Officer



Murtaza Ahmed Ali
Chief Executive



Abdul Rahim Suriya
Director



Syed Feisal Ali
Director



Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

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